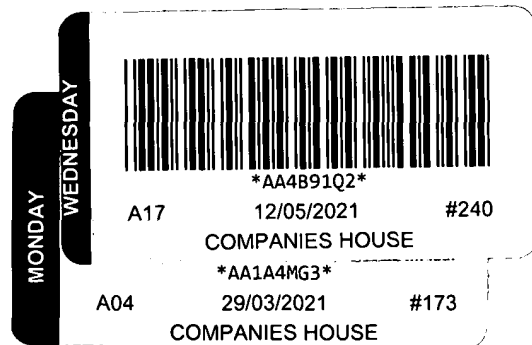


Company Registration No. 05578161

Txtlocal Limited

Annual report and financial statements

For the year ended 31 March 2020



Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2020

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Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2020

Officers and professional advisers

Directors

Jayesh Patel
Michael Jefferies
Mark Fallowfield-Smith

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c/o IMImobile
5 St. John's Lane
London
EC1M 4BH
United Kingdom

Bankers

Silicon Valley Bank
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United Kingdom

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2020

Strategic report

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Txtlocal is a cloud-based, self-serve platform that allows SMEs to have instant, affordable access to SMS messaging and mobile marketing tools. The platform is easy to sign-up for and begin deploying mobile messaging campaigns and services without the need for advance training and has been widely adopted by SMEs and large brands alike. In addition to basic SMS messaging, Txtlocal supports file attachments, surveys, landing pages, data capture forms, ticketing, coupons, vouchers, loyalty cards and other value-added features. It provides sophisticated data import, target group definition, audit logs and role-based access control which make the product ideally suited for enterprise usage whilst providing an extremely intuitive and easy-to-use interface for simpler use cases. Customers can benefit from increased customer engagement and marketing ROI through SMS marketing.

The year ended 31 March 2020 was one of further development and transformation such that the Company continues to be well-positioned to take advantage of the growing market opportunities within the mobile arena.

The Company has enjoyed organic growth within its existing customer base as well as new business which has contributed to 17% growth in revenues from £14,848,045 during the year ended 31 March 2019 to £17,336,908 for the year ended 31 March 2020. The Company made a profit of £2,750,353 in the year (2019: £2,118,131). The full trading performance for the year is shown on page 8. The Board is satisfied with the Company's performance.

Going concern

The Company has net current assets of £7,200,934 (2019: £4,425,078). After careful consideration of the principal risks and uncertainties facing the business, outlined below, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Key performance indicators

The directors of the ultimate parent undertaking, IMImobile Limited (formerly PLC), manage the Group's operations on a regional basis. For this reason, the Company's directors believe that the most useful analysis of key performance indicators is with reference to the development, performance and position of the Europe region of IMImobile Limited, which includes the Company. This is disclosed in the Strategic Report of the IMImobile Limited Annual Report and Financial Statements for the year ended 31 March 2020, which does not form part of this report.

Future prospects

The Company continues offer both innovative and targeted solutions that solve real business issues. With an agile organisation, capable of responding to the rapidly evolving market for the software, solutions and professional services provided by the Company, the directors are confident of the Company's future prospects.

Following period end, the Company has delivered a resilient performance despite the operational challenges presented by the COVID-19 pandemic and has seen clear positive momentum. The Company has been focused on strategic deployments, as existing and new blue-chip clients look to accelerate their adoption of digital communication strategies, that will help drive future revenues.

The Company is at a very exciting stage with technology developments creating momentum in the customer communications sector for more automation and use of digital channels. We continue to have good earnings visibility due to our established client relationships, healthy pipeline of new deployments and high proportion of recurring customer revenues, the directors are confident of the prospects for the year ahead.

The Company continues to monitor the status of Brexit and the Directors do not think it will have a material impact on the Company's operations.

Research and development

The Company continues to invest in research and development activities, driven by both specific customer and market requirements for more innovative and cutting-edge technology and services. It is critical that the Company maintains its market-leading platform to deliver its products and solutions for its clients.

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Annual report and financial statements for the year ended 31 March 2020

Principal risks and uncertainties

Dependence on key personnel

The Company's future success is substantially dependent on the continued services and performance of its senior management, each of whom has significant relevant experience. The Company provides meaningful long term incentives to the executive team and key employees as well as offering competitive remuneration packages.

Data privacy and regulatory compliance

Certain activities of the Company and its customers may require the implementation of appropriate privacy and security policies or explicit end user opt-in and compliance with the general data protection regulations (GDPR) which affect how personal data is processed and stored. These laws and regulations may also affect the types of communication which are allowed based on permissions given by end users. Failure to comply with the laws governing the management of end user and customer data could result in fines, damage to reputation or the loss of customers. The Company has invested heavily in its products, platforms and processes in order to ensure market leading technology and practice are built-in to the solutions provided to its customers.

Technological change

The Company operates in markets that are subject to constant technological development, evolving industry standards and changes in customer needs. Therefore, the Company is subject to the effects of actions by competitors in these markets and relies on its ability to anticipate and adapt to constant technological changes taking place in the industry. To maintain its strong position in the market, the Company needs to successfully market its products and services and respond to both commercial actions by competitors and other competitive factors affecting these markets, anticipating and adapting promptly to technological changes, changes in consumer preferences and general economic, political and social conditions. The company employ product and solution specialists who monitor market developments and keep the product offering relevant for the market in which the company operates.

Cyber security

Security of customer, employee and commercial data represents an increasing reputational and financial risk. Many of the Company's customers are high profile and recognisable brands, and a failure to maintain best in class security protocols and systems could result in significant damage to the Group.

The increasing trends around cyber crime suggest that this risk will continue to increase over time.

The Company invests in best-in class software and platforms for proactively managing cyber security, and maintains various security certifications including ISO 27001. Company staff undergo regular training and are kept aware of evolving risks.

The Company also benefits from working with some of the best Global businesses with extremely high security standards, requiring regular and detailed audits of their suppliers.

Significant failure or interruption to network or IT systems

The Company's business depends on providing customers with highly reliable platforms and services. Unanticipated network, or other, interruptions (whether accidental or otherwise) may occur as a result of system failures, including hardware or software failures, which affect the quality, or cause an interruption in the Company's supply of services. Such failures can result from a variety of factors within the Company's control, including human error, equipment failure, power loss, failure of services related to the internet and telecommunication networks, as well as factors outside of the Company's control, such as system failures of network service providers, fire, earthquake, adverse weather and other natural disasters, water damage, fibre optic cable cuts, power loss not caused by the Company and terrorism. The Company's infrastructure is hosted mainly using third party data centres. Third party hardware and software support contracts are in place. Connectivity to multiple networks also provides mitigation against elements of this risk.

COVID-19 or other global pandemic

The COVID-19 pandemic has had wide-ranging impacts on the Global economy and could impact the Company's employees, suppliers and customers as a result of restrictions in movement.

The full consequence of COVID-19 has not yet been seen and is hard to predict, but some potential impacts include:

- Reduction in interaction and therefore revenues from certain customer verticals or in certain geographies
- Reduction in ability to identify and win new sales opportunities
- Increase in likelihood of bad debt from customers in financial distress
- Increase in volume of financially motivated cyber attacks

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2020

The Company maintains and tests detailed business continuity plans covering remote working and back-up measures to ensure that support and services provided to customers can be maintained remotely. The major debtors of the Company are made up of large corporates and therefore less likely to default on credit obligations. The Company's well established information security controls are continually reviewed and enhanced.

The Strategic Report was approved by the Board and signed on its behalf by:



Mike Jefferies
Director

24 March 2021

Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of the Company in the year under review was to provide a cloud-based, self-serve platform that allows SMEs to have instant, affordable access to SMS messaging and mobile marketing tools text messaging provider.

During the year the Company made charitable donations totalling £nil (2019: £30).

The Directors are not recommending a final dividend for the year (2019: nil). No interim dividend was paid during the year (2019: nil).

Strategic report

The Strategic report covers pages 2-4. The Company has chosen to set out certain matters in this Strategic report that would otherwise be required to be disclosed in the Directors' report. These matters are disclosures concerning research and development, likely future developments in the business and going concern (page 2).

Section 172 statement

Our Workplace

We recognise that our employees are our greatest asset and critical to business success. We continue to invest in developing our employees and encourage teams to develop their skills and keep up to date with new technologies, market developments and business processes. Training requirements are reviewed regularly through performance management processes as well as through ongoing discussions between teams and their line managers.

Using the Group's internal communications tool, Workplace, CEO, Jay Patel, holds regular 'Live Q&A' sessions where all staff are invited to attend and ask questions directly about business updates such as financial results, product and market developments. We also have an online feedback tool where all employees can anonymously submit any feedback and provide thoughts or suggestions on any aspect of the business.

We actively encourage our employees to adopt a healthy lifestyle and the physical and mental wellbeing of our teams is one of our highest priority. Across our teams, we have wellbeing programmes managed by HR. These provide benefits such as staff health insurance schemes and wellness events as well as educational assistance programmes which provide staff information on stress management, diet and nutrition, childcare/parenting etc. We also have invested in mental health first aid training for some of our employees.

Our Community

As part of our wider Group, we continue to encourage our teams to support local community initiatives. Last year, we participated in a number of charitable events including an annual bake off, glitter run, football matches and raffles in order to raise money for our nominated charity 'Rays of Sunshine'. We have also donated iPads to children in local hospitals with the charity.

Our Customers and Suppliers

We are dedicated to providing and maintaining the highest standards in all aspects of the organisation's relationships with clients, staff and suppliers.

These standards not only apply to all professional advice supplied by our business, but also to the organisation's ethics, behaviour and relationships. We seek on-going and continuous improvement of quality and are committed to:

- Clear identification and definition of client requirements as a first step to ensure customer satisfaction;
- Staff commitment to a quality and continuous improvement approach;
- Helping staff develop their competencies towards business objectives;
- Ensuring that our supply chain operates in an ethical and responsible manner;
- Using a continuous improvement approach in all aspects throughout the business; and
- Regularly reviewing systems, covering effectiveness and any non-conformance issues.

Our Environment

The environmental impact of the business is relatively low as we have no manufacturing facilities and many of our cloud-based solutions reduce environmental impact for our clients through digital communications such as digital hospital appointment letters and delivery of paperless bank statements.

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2020

At present, we have implemented the following sustainability initiatives:

- Reducing travel emissions through cycle to work schemes, discounted rail fares, pollution checking for employee vehicles etc.;
- Use of video conferencing software, Microsoft Teams, to limit number of in-person meetings;
- Supporting flexible working where possible;
- Reducing paper and ink wastage through automatic double-sided printing; and
- Upholding good office practices such as recycling and limited use of single use or plastic materials.

We are committed to continuing to reduce our carbon footprint as a business during the coming year and have appointed a sustainability consultant to help us achieve our environmental goals.

Financial risk management objectives and policies

Policies

The Company's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

The Company's operations expose it to a variety of financial risks including liquidity risk, credit risk, interest rate risk and foreign currency risk. It is the objective of the Company to minimise these risks where possible by maintaining and operating a robust control environment. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company currently does not use derivative financial instruments to manage its exposure to these risks.

Liquidity risk

As regards liquidity, the Company's policy has throughout the year been to ensure continuity of funding. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

All payables (note 13) are due to be paid within twelve months of the balance sheet date.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables. It is the Company's policy to minimise its credit risk exposure by reviewing the recoverability of trade receivables at the balance sheet date and considers any change in the credit quality of the debtor on an individual basis from the date the debtor was created to the date the balance is settled.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date can be found within note 12.

Interest rate risk

Historically the Company has financed its operations through a mix of equity and debt to help minimise its exposure. The Company minimises its risk to interest fluctuations by negotiating a fixed rate of interest on all external debt. At the balance sheet date the Company held cash and cash equivalents of £2,090,146 (2019: £536,983) and had no external debt.

Currency risk

The Company's policy is to conduct the majority of its sales in UK Pounds Sterling. The Company has a small amount of trading with overseas customers which are settled in foreign currencies. The Company monitors its exposure to currency by regularly reviewing its cash balances and matching these with future and forecast requirements.

The Company at the year end held cash at bank amounts of €292,993 (2019: €56,093) for which the UK Pounds Sterling equivalent was £251,271 (2019: £49,640).

Financial assets

The Company has no financial assets, other than short-term receivables and cash and cash equivalents.

Directors

The directors who served during the year and to the date of this report unless otherwise stated were as follows:

Jayesh (Jay) Patel
Michael (Mike) Jefferies
Mark Fallowfield-Smith

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2020

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



Mike Jefferies
Director
24 March 2021

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2020

Statement of comprehensive income for the year ended 31 March 2020

	Notes	2020 £	2019 £
Revenue	3	17,336,908	14,848,045
Cost of sales		(10,884,137)	(9,157,290)
Gross profit		6,452,771	5,690,755
Administrative expenses		(3,538,669)	(3,479,763)
Operating profit	6	2,914,102	2,210,992
Finance income	7	1,427	-
Finance costs	8	(4,747)	-
Profit before tax		2,910,782	2,210,992
Tax	9	(160,429)	(92,861)
Profit for the year and total comprehensive income		2,750,353	2,118,131

The profits stated above are all derived from continuing operations.

The accompanying notes are an integral part of the financial statements.

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Annual report and financial statements for the year ended 31 March 2020

Statement of financial position as at 31 March 2020

	Notes	2020 £	2019 £
Non-current assets			
Property, plant and equipment and right-of-use assets	10	214,729	73,329
Deferred tax asset	11	46,390	44,814
		<u>261,119</u>	<u>118,143</u>
Current assets			
Cash and cash equivalents		2,090,146	536,983
Trade and other receivables	12	20,508,830	10,113,910
Tax receivable		-	99,764
		<u>22,598,976</u>	<u>10,750,657</u>
Current liabilities			
Trade and other payables	13	(12,940,027)	(3,874,200)
Contract liabilities		(2,372,856)	(2,451,379)
Tax payable		(30,219)	-
Lease liabilities	14	(54,940)	-
		<u>7,200,934</u>	<u>4,425,078</u>
Net current assets		<u>7,200,934</u>	<u>4,425,078</u>
Total assets less current liabilities		<u>7,462,053</u>	<u>4,543,221</u>
Non-current liabilities			
Lease liabilities	14	(82,444)	-
Net assets		<u>7,379,609</u>	<u>4,543,221</u>
Equity			
Called-up share capital	15	2	2
Share-based payment reserve	15	325,152	261,916
Retained earnings	15	7,054,455	4,281,303
Total equity		<u>7,379,609</u>	<u>4,543,221</u>

The accompanying notes are an integral part of the financial statements.

For the year ending 31 March 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements of Txtlocal Limited (registered number 05578161) were approved by the Board of Directors and authorised for issue on 24 March 2021.

Signed on behalf of the Board of Directors.



Mike Jefferies
Director

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2020

Statement of changes in equity for the year ended 31 March 2020

	Notes	Called-up share capital £	Share-based payment reserve £	Retained earnings £	Total Equity £
At 1 April 2018		2	235,103	2,149,289	2,384,394
Total comprehensive income for the year		-	-	2,118,131	2,118,131
Share-based payment expense	17	-	26,813	-	26,813
Deferred tax on share-based payments	11	-	-	(2,081)	(2,081)
Tax relief on exercised share-based payments		-	-	15,964	15,964
At 31 March 2019		2	261,916	4,281,303	4,543,221
Total comprehensive income for the year		-	-	2,750,353	2,750,353
Share-based payment expense	17	-	63,236	-	63,236
Deferred tax on share-based payments	11	-	-	(1,633)	(1,633)
Tax relief on exercised share-based payments		-	-	24,432	24,432
At 31 March 2020		2	325,152	7,054,455	7,379,609

Notes to the financial statements

1. Accounting policies

The Company is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. These financial statements are presented in UK Pounds Sterling because that is the currency of the primary economic environment in which the Company operates. The registered address is shown on page 1 and the principal activity of the business is included in the Directors' report on page 5.

Basis of accounting/statement of compliance

The Company meets the definition of a qualifying entity under FRS 100 (Financial reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure framework' as issued by the Financial Reporting Council.

The Company has prepared financial statements which comply with FRS 101 applicable for periods beginning on or after 1 April 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

As permitted by FRS 101, exemption from disclosing standards not yet effective has been taken.

The adoption of the amendments to IFRSs and new interpretations that are mandatorily effective during the year has not had any material impact on the disclosures or on the amounts being reported.

The Company has also taken advantage of the exemption from the requirements in IAS 24 *Related party disclosures* to disclose related party transactions entered into between two or more members of the Group where those party to the transaction are wholly owned by a member of the Group and the requirements in IAS 7 *Statement of cash flows*, IFRS 7 *Financial instruments: disclosure* and IFRS 15 *Revenue from Contracts with Customers* the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129.

The financial statements have been prepared under the historical cost convention and under the going concern assumption.

The principal accounting policies applied in preparation of the Company financial statements are set out below.

New and amended standards adopted by the Company

The Company has applied IFRS 16 Leases for the first time for the period commencing 1 April 2019. This has resulted in the Company recognising right-of-use assets and lease liabilities. For leases previously classified as operating leases, under previous accounting requirements the Company did not recognise related assets or liabilities, and instead spread the lease payments on a straight-line basis over the lease term. The Company has applied the modified retrospective approach and has only recognised leases on the statement of financial position as at 1 April 2019. Comparative amounts for the year prior to the first adoption have not been restated.

The lease liability on 1 April 2019 has been measured at the present value of the remaining lease payments discounted using the incremental borrowing rate at that date. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.14%. The Company has decided to measure opening right-of-use assets equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

Where exercise of a renewal option is considered to be reasonably certain, this has been included in the lease term, when calculating the lease liability.

The Company utilised the recognition exemptions for both short-term leases that have a lease term of 12 months or less and for leases of low value assets (underlying asset value less than £4,000). The lease payments associated with those leases continue to be recognised as an expense on a straight-line basis over the lease term.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- (a) applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- (b) relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019,
- (c) accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases, and

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2020

- (d) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Application resulted in the recognition of total lease liabilities and right-of-use assets on 1 April 2019 of £115,058. Right-of-use assets are presented in Property, plant and equipment on the Company statement of financial position. Lease liabilities are included in current and non-current lease liabilities.

A reconciliation of the operating lease commitment at 31 March 2019 to the opening IFRS 16 lease liability is shown below:

	£
Operating lease commitments at 31 March 2019	91,620
Lease extension options ¹	23,438
	<hr/>
IFRS 16 lease liabilities at 1 April 2019	115,058
	<hr/> <hr/>

(1) Previously, lease commitments only included non-cancellable periods in the lease agreements. Under IFRS 16, the lease term includes periods covered by options to extend the lease where the Group is reasonably certain that such options will be exercised.

New standards and interpretations not yet adopted

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Foreign currencies

The Company financial statements are presented in UK Pounds Sterling (“the presentational currency” and “the functional currency”).

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Going concern

The Company’s business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors’ Report.

At 31 March 2020 the Company had net assets of £7,379,609 including £2,090,146 of cash and cash equivalents (2019: net assets of £4,543,221 including £536,983 of cash and cash equivalents) and made a profit after tax of £2,750,353 (2019: £2,118,131).

In determining whether the financial statements should be prepared on the going concern basis, the Directors considered the Company’s business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and the principal risks and uncertainties relating to its business activities.

The COVID-19 pandemic has had wide ranging impacts on the Global economy and the potential impact on the Company’s customers, suppliers, employees and operations is considered in the Strategic Report on page 2.

The Company continues to monitor the status of Brexit and the Directors do not think it will have a material impact on the Company’s operations.

Based on cash flow forecasts which take into account the Directors’ best estimate of current sales orders and opportunities, expenditure forecasts as well as the Company’s current cash balance, the Directors consider it appropriate to prepare the Company’s financial statements on a going concern basis.

Revenue recognition

Revenue is recognised in accordance with the requirements of IFRS 15 *Revenue from Contracts with Customers*. The Group recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers or provides control of a product or service to a customer.

Where the Company enters into arrangements to deliver multiple elements (such as a perpetual license together with a period of servicing and maintenance), such elements are separated for recognition based on stand-alone value where sold and delivered as separate performance obligations. If such elements cannot be separated they are treated as a single performance obligation and recognised over the period of delivery when the criteria for recognition have been met. Amounts incurred but not yet billed are classified as contract assets. Revenues are typically billed up to 30 days after month end and classified as contract assets until this point.

Monthly recurring revenue

Revenues from hosting and for access to the Company's cloud-based communications and CPaaS software, including the use of shortcodes to run the service, form a single performance obligation and is recognised over the period of the contract as the customer simultaneously receives and consumes the service.

Revenue share from content related sales and usage-based revenue from messages sent across multiple channels is triggered by the actions of the Company's customers (or their end users) using the relevant platform they are connected to. Revenue is recognised at a point in time as the content sale or message delivery is generated.

Revenue generated from the provision of professional services to manage software applications for customers are recognised pro-rata over the period the services are provided.

Non-recurring revenue

Non-recurring professional service revenues relate to one-time configuration, setup and change requests and are recognised at the point the customer is able to use the service for its intended purpose, or upon completion of designated milestones where the Company has an enforceable right to payment.

Costs recharged by other companies in the IMI Mobile Limited (formerly IMI Mobile PLC) group

The Company is recharged costs borne on its behalf by other group companies. These costs are recharged at an arm's length price.

Property, plant and equipment and right-of-use assets

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

As a result of the adoption of IFRS 16 property, plant and equipment now contains the right-of-use assets for leases previously classified as operating leases.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Projects under which assets are not ready for their intended use are carried at cost and are only depreciated once they are ready for use.

When assets are sold, their cost and accumulated depreciation are eliminated and any gain or loss resulting from their disposal is included in the consolidated income statement.

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Depreciation is computed on a straight-line basis over the estimated useful lives of operational assets. The estimated useful lives by class of asset are as follows:

Computer equipment	3 - 4 years
Fixtures and fittings	4 years
Right-of-use assets	Lease term

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification of financial assets

Cash and cash equivalents, trade and other receivables (excluding prepayments) and tax receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any allowance for expected credit losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future of cash flows of the investment have been impacted.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's trade receivables and contract assets. It is the Company's policy to minimise its credit risk exposure. This includes undertaking careful due diligence of new customers and getting full or part payment in advance of providing services where credit risk is considered higher. The Company regularly reviews existing customers on an individual basis for changes in the credit quality of trade receivables and contract assets from the date the receivable was created to the date the balance is settled.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets and amounts due from related parties. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

To measure the expected credit losses, trade receivables and contract assets have been grouped together based on shared credit risk characteristics and the days past due. The Company has deemed that the contract assets balance has substantially the same risk characteristics as trade receivables and has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The ECL is calculated through assessing the probability of the non-payment of the customer, this probability is then multiplied by the amount of the expected loss arising from default to determine the expected credit loss for the trade receivables and contract assets. If a balance is confirmed as not be collectable, the gross carrying value of the asset is written off against the associated provision.

Derecognition of financial assets

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of

changes in value. All cash and cash equivalents are measured at amortised cost. The Company discloses cash on a net basis where it has the right to offset.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Trade and other payables, tax payables and lease liabilities are measured subsequently at amortised cost using the effective interest method.

Interest expenses and exchange rate gains and losses are recognised in profit or loss. Gains or losses in connection with derecognition are also recognised in profit or loss.

Employee benefits

Defined contribution plan

The Company operates defined contribution plans for certain employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. These contributions are expensed in the period they are incurred.

Employee share-based payments

The share option programme allows employees to acquire shares within the Group, being IMImobile Limited (formerly IMImobile PLC) and its subsidiaries. The Group operates a number of equity-settled, share-based payment plans, under which the Company receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in equity. The total amount to be expensed is measured at the grant date by reference to the fair value of the options granted measured using the Black-Scholes option valuation model:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied and the employees become unconditionally entitled to the options.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on expected leavers and estimated achievement for the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The social security contributions payable in connection with the grant of the share options are included in the share-based payment charge except where they are payable by the employee.

Where options are cancelled by the Group and settled in cash the expense is accelerated in the period in which the options are settled, with the cash payment recognised in the share-based payment reserve.

Tax

The Company's tax charge is the sum of total current and deferred tax charges.

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The recognition of deferred tax assets is determined by reference to the Company's estimate of recoverability, using models where appropriate to forecast future taxable profits. Deferred tax assets have only been recognised where the Company considers that it is probable there would be sufficient taxable profits for the future deductions to be utilised. If it is probable that some portion of these assets will not be realised, then no asset is recognised in relation to that portion.

The carrying amount is reviewed at each balance sheet date. If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax assets may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax assets may need to be reversed.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Management do not consider there to be any critical accounting judgements.

Key sources of estimation uncertainty

Management do not consider there to be any key sources of estimation uncertainty.

3. Revenue

Materially all revenue was derived from the Company's principal activities to customers based in the UK.

During the year the Company recognised revenue of £2,451,379 (2019: £2,231,292) related to contract liabilities carried-forward from the prior year. No revenue was recognised in the either year from performance obligations satisfied (or partially satisfied) in prior years. All remaining performance obligations are comprised of contract liabilities of £2,372,856 at 31 March 2020 (2019: £2,451,379).

4. Remuneration of directors

The directors are considered to be the same as the key management personnel in the Company.

The directors are remunerated through IMImobile Europe Limited, a fellow subsidiary of IMImobile Limited (formerly IMImobile PLC). No remuneration is received specific to the Company and it is not practicable to allocate directors remuneration between services to the group and this company. The financial statements of IMImobile Europe Limited may be obtained by request from IMImobile, 5 St. John's Lane, London, EC1M 4BH.

5. Employee benefits

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2020 Number	2019 Number
Sales and Managed Services	22	25
Development and product management	7	9
Operations and technical support	9	10
Common functions	9	10
	<u>47</u>	<u>54</u>

The aggregate payroll costs of these persons were as follows:

	2020 £	2019 £
Wages and salaries	2,067,347	2,059,213
Social security and taxes	214,879	202,020
Pension costs – defined contribution plan (see note 16)	60,429	45,276
Share options granted to Directors and employees (see note 17)	63,236	26,813
	<u>2,405,891</u>	<u>2,333,322</u>

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6. Operating profit

	2020 £	2019 £
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	94,602	36,282
Staff costs (note 5 – including share-based payment charge)	2,405,891	2,333,322
(Gain)/loss on foreign exchange transactions	(40,708)	22,321
Land and buildings – rentals payable under operating leases	-	83,529

7. Finance income

	2020 £	2019 £
Bank interest income	1,427	-

8. Finance costs

	2020 £	2019 £
Bank loans and overdrafts	35	-
Interest in relation to lease liabilities (note 14)	4,712	-
	4,747	-

9. Tax

	2020 £	2019 £
UK corporation tax		
Current tax expense for the year	24,435	408,838
Adjustments in respect of prior periods	139,203	(313,557)
	163,638	95,281
Deferred tax (note 11)		
Deferred tax expense for the year	761	(1,254)
Adjustments in respect of prior periods	(3,970)	(1,166)
	(3,209)	(2,420)
Tax expense on profit	160,429	92,861

Corporation tax is calculated at 19% (2019: 19%) of the estimated taxable profit for the year.

The tax expense for the year can be reconciled to the profit in the income statement as follows:

	2020 £	2019 £
Profit before tax	2,910,782	2,210,992
Current tax at the UK corporation tax rate of 19% (2019: 19%)	553,049	420,088
Expenses not deductible for tax purposes	9,636	(12,504)
Effect of change in UK tax rate	(5,273)	-
Tax adjustments in respect of prior year	135,233	(314,723)
Tax effect of Group relief claimed	(532,216)	-
Total tax expensed in the income statement	160,429	92,861

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The main rate of UK corporation tax in the period was 19%. In March 2020, the Chancellor announced that the planned reduction in the corporation tax rate to 17% from 1 April 2020 would no longer take place, and the rate would remain at 19% going forwards. Following a Budget resolution on 17 March 2020, the 19% rate was substantively enacted. Accordingly, UK deferred balances have been recognised at 19% in the period.

10. Property, plant and equipment and right-of-use assets

	Right-of-use assets £	Computer Equipment £	Fixtures & Fittings £	Total £
Cost				
At 1 April 2019	-	102,103	63,160	165,263
Opening right-of-use assets	115,058	-	-	115,058
Additions	78,748	-	42,196	120,944
Disposals	-	-	(3,078)	(3,078)
At 31 March 2020	193,806	102,103	102,278	398,187
Accumulated depreciation				
At 1 April 2019	-	56,880	35,054	91,934
Expense for the year	51,796	21,304	21,502	94,602
Disposals	-	-	(3,078)	(3,078)
At 31 March 2020	51,796	78,184	53,478	183,458
Net book value				
At 31 March 2020	142,010	23,919	48,800	214,729
At 31 March 2019	-	45,223	28,106	73,329

11. Deferred tax asset

	Share-based payment £	Fixed assets timing differences £	Short term timing differences £	Total £
At 31 March 2018	49,974	(6,335)	836	44,475
Credit to the income statement	2,136	284	-	2,420
Share-based payment recognised in equity	(2,081)	-	-	(2,081)
At 31 March 2019	50,029	(6,051)	836	44,814
Credit to the income statement	263	1,243	1,703	3,209
Share-based payment recognised in equity	(1,633)	-	-	(1,633)
At 31 March 2020	48,659	(4,808)	2,539	46,390

Short term timing differences comprise unpaid employer pension contributions.

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12. Trade and other receivables

	2020 £	2019 £
Trade receivables (net of expected credit loss allowance)	831,773	715,577
Amounts owed by parent undertaking	16,001,168	9,261,732
Amounts owed by other group undertakings	3,559,634	10,989
Prepayments	112,055	122,112
Refundable deposits	4,200	3,500
	<u>20,508,830</u>	<u>10,113,910</u>

Credit quality of customers is assessed by taking into account the current financial position of the customer, past experience and forward looking factors, including economic outlook. The historical level of customer default is low and, as a result, the credit quality of period end trade receivables is considered to be high. Trade receivables are considered past due once they have passed their contracted due date. The Company review trade receivables past due but not impaired on a regular basis and in determining the recoverability of the trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Amount owed by Group undertakings are interest free, unsecured and repayable on demand.

13. Trade and other payables

	2020 £	2019 £
Trade payables	188,071	108,493
Accruals	197,516	189,842
VAT Payable	617,165	580,555
Social security payable	44,730	58,440
Other creditors	19,104	4,758
Amounts due to other group undertakings	11,873,441	2,932,112
	<u>12,940,027</u>	<u>3,874,200</u>

Amounts owed to Group undertakings are interest free, unsecured and repayable on demand.

14. Lease liabilities

	Buildings £
At 1 April 2019	-
Transition on adoption of IFRS 16	115,058
Additions	78,748
Principal repayments	(61,134)
Interest	4,712
	<u>137,384</u>
At 31 March 2020	<u>137,384</u>
At 31 March 2020	
Current	54,940
Non-current	82,444
	<u>137,384</u>

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15. Called-up share capital and reserves

	2020	2019
	£	£
Allotted and fully paid		
2,000 Ordinary shares of £0.001 each	2	2

Share-based payment reserve

The share-based payment reserve relates to the charge for the share-based payment in accordance with International Financial Reporting Standard 2.

Retained earnings

Retained earnings represents the cumulative earnings of the Company attributable to equity shareholders.

16. Retirement benefit scheme

The Company operates a defined contribution stakeholder pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees.

The pension expense for the year represents contributions payable to employees' private pension schemes and amounted to £60,429 (2019: £45,276).

Contributions amounting to £13,367 (2019: £6,117) were payable to the scheme and are included in other payables at year end.

17. Share based payments

The share-based payment expense relating to employee share schemes in 2020 was £63,236 (2019: £26,813).

The Company operated the following schemes during the year for options issued to the Directors and key employees.

2014 Unapproved Option Plan

The plan was established on 26 June 2014. The options granted vest over a period of 0-4 years and are dependent upon continued employment and meeting performance targets for the Group's EPS. The options may be forfeited if the employee leaves the Group and the rights of the participants lapse if the award has not been exercised after a period of 10 years from the grant date.

Details of the share awards outstanding during the year are as follows:

	As at 31 March 2020		As at 31 March 2019	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	1.44	93,594	1.44	133,284
Granted	2.96	268,000	-	-
Exercised	1.42	(62,423)	1.42	(39,690)
At 31 March	2.80	299,171	1.44	93,594

The aggregate fair value of options granted in the year is £112,201 (2019: £nil).

The options outstanding at 31 March 2020 have a weighted average remaining contractual life of 9.2 years (2019: 5.6 years).

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model in both years were a risk free interest rate of 0.42% to 1.72%, exercise price shown above, an expected option life of five years, volatility of 7% to 70% depending on the vesting date of the options and a dividend yield of nil.

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CSOP

The plan was established on 26 June 2014. The options granted vest over a period of 0-4 years and are dependent upon continued employment. The options may be forfeited if the employee leaves the Group and the rights of the participants lapse if the award has not been exercised after a period of 10 years from the grant date.

Details of the share awards outstanding during the year are as follows:

	As at 31 March 2020		As at 31 March 2019	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	1.84	162,783	1.86	236,878
Granted	3.21	9,000	-	-
Exercised	1.81	(45,781)	1.58	(45,220)
Forfeited	1.81	(5,375)	2.40	(28,875)
At 31 March	1.96	120,627	1.84	162,783

The aggregate fair value of options granted in the year is £7,185 (2019: £nil).

The options outstanding at 31 March 2020 have a weighted average remaining contractual life of 6.4 years (2019: 7.2 years).

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model in both years were a risk free interest rate of 0.42% to 1.72%, exercise price shown above, an expected option life of five years, volatility of 7% to 70% depending on the vesting date of the options and a dividend yield of nil.

18. Immediate and ultimate parent undertaking

The Company's immediate parent undertaking is IMImobile Limited (formerly IMImobile PLC), a company incorporated in the United Kingdom. At 31 March 2020, IMImobile Limited was also the ultimate parent Company, which is the parent undertaking of the smallest and largest Group to consolidate these financial statements. The consolidated financial statements of the group may be obtained by request from IMImobile, 5 St. John's Lane, London, EC1M 4BH, the registered address of IMImobile Limited.

19. Post balance sheet event

On 19 February 2021 IMImobile Limited (formerly IMImobile PLC) was acquired by Cisco Systems Holdings UK Limited and therefore from this date the ultimate parent undertaking of the company is considered to be Cisco Systems, Inc.